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R&D SERVES DUAL PURPOSE. (Steelcase Inc.) (Company Profile)

TERESKO, JOHN

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STEELCASE USES ITS INNOVATIONS TO TRANSFORM ITS OWN PRACTICES AS WELL AS ITS CUSTOMERS'.

What is the ultimate purpose of corporate research and development? Is it just product improvement and customer satisfaction? Some leading high-tech companies consider that merely the beginning. IBM Corp., for example, leverages its R&D prowess to create multibillion-dollar businesses. Intel Corp. assiduously uses its innovation energy to compete more vigorously with itself than with its outside competitors.

Steelcase Inc., the Grand Rapids, Mich.-based manufacturer of office furniture, is able to go a step further. It takes advantage of its R&D focus--how its products relate to work as a process--to transform itself as much as it is transforms the practices of its customers.

James P. Hackett, president and CEO, admits he is presented with a unique opportunity available to few other companies. After all, how many firms have an R&D (and business) focus that is directly applicable to their internal work processes? For example, the Toyota production system that drove the automaker to spectacular manufacturing success was research that was quite removed from the company's product research. And while Toyota, IBM, and Intel surely use what they make in the conduct of their business, their product R&D efforts are only peripherally applicable to their internal work processes. (Toyota, to profit from its research in flow manufacturing, does have an organization dedicated to updating the production skills of its suppliers.)

Hackett also looks to R&D as a resource in considering the company's future. "If you don't create a perspective about your future someone else will. And (their version) may not be as attractive. At the CEO level there has to be a friendly, constant friction between 'Am I competitive today?' and 'Are we focused enough on the future?' CEOs have to be comfortable with a degree of paranoia on those questions. On the one hand you've got to live for today or there's no tomorrow, and if you don't focus on tomorrow someone else will define your future."

Steelcase is widely known as the world's largest maker of office equipment. What's not so well known is its commitment to technology and innovation. For example, the R&D metrics from its annual report don't reveal the scope of the corporation's research activity. The 2000 report, for example, lists R&D expenses at \$70 million versus \$75 million for 1999 and \$70 million for 1998 (the company went public in February of that year). What doesn't show in the numbers is Steelcase's major equity position in a company that specializes in the process of innovation: IDEO Product Development Inc., Palo Alto, Calif.

DAVID KELLEY, FOUNDER AND CHAIRMAN OF the 23-year-old company, says the work he's proudest of involves such R&D projects as Apple Computer Inc.'s original mouse, the Palm V personal digital assistant, and a portable defibrillator developed for Heartstream Inc. "The point of my company is to innovate routinely," he says. "What we're really experts at is in that methodology-not in any particular industry or product category."

Steelcase has been a client of IDEO since 1987, but the fiscal relationship began in 1996 with an undisclosed Steelcase investment in IDEO. (Hackett describes it as a majority interest.) IDEO takes a unique approach to each of its approximately 4,000 clients. Kelley says that when he selects clients, "I try to find the right fit. We have this thing about flowers and bees. We're a certain kind of bee looking for a certain kind of

flower. We don't want to take on just any kind of work. What we're looking for is that innovative stuff. I'm like a venture capitalist, trying to figure out which one of these entrepreneurs is going to be successful because I want to work for them."

The net gain of any client interaction is likely to benefit IDEO as much as the client. In addition to Steelcase IDEO's client list includes the likes of Massachusetts Institute of Technology, Lucent Technologies Inc., and Xerox Corp.

To Kelley, the uniqueness of the Steelcase organization centers on its comprehensive understanding of the workplace. "But they continue to be challenged by the fact that organizations do not perceive how much workspace really matters. Their communications challenge is to position the workspace decisions as being at least as important as the selection of the office hardware. Too often, the workspace decisions are all about status, not about teamwork or effectiveness or how to communicate.

"To IDEO," Kelley continues, "the value of Steelcase is what they've taught us about building creative environments. For example, they make the point that technology is starting to 'fade' away. Their observations indicate that people don't want to deal with technology in the way they're dealing with it now. They want it to be more human-like and fade into the woodwork." Kelley says Steelcase fits his imperative for IDEO to work for the most innovative companies in each field. "That's necessary to build the cumulative scope and value of our services."

In the Steelcase product line, one example of IDEO's R&D assistance is the award-winning, ergonomically correct Leap chair, which was designed to alleviate the biomechanical stresses inherent in working with new office technology. The result of over four years of concurrent development involving four universities, 27 scientists, and 732 test participants, the Leap model is emblematic of the spirit of innovation and research that is transforming the company into what it calls a "work effectiveness organization." The research behind that new emphasis is extending the company's focus beyond furniture to encompass entire work environments--even to providing office buildings.

To provide historical context and contrast for its ongoing research on work effectiveness, Steelcase maintains a historical exhibit of offices in the company's Grand Rapids headquarters. On the fifth floor, Steelcase has preserved a suite of executive offices that showcase a typical corporate environment that predates its work effectiveness research. A walk through these quarters, while initially comforting (the design cues are so familiar), becomes disconcerting as Hackett explains that the walled executive offices with their doors represents the best of yesterday's thinking. As he explains, "It was a time when 'I' was more important than 'we' in guiding the fortunes of corporations."

Hackett explains that Steelcase uses its "old economy" office examples as an educational display as well as for the occasional ceremonial event involving the signing of significant corporate documents. By contrast, Hackett and his executive team work one floor down where the emphasis is on a cubicle-like environment open to a team-based work process.

STEELCASE RESEARCH FIRST IDENTIFIED THE transition from "I" to "we" environments in the mid-1980s. "We introduced our findings at a trade show under the banner of 'Caves and Commons,'" says Hackett. "Our research at the time predicted that the need for collaboration in businesses would accelerate the move to flatter hierarchies, which in turn would lead to a greater emphasis on teams. What our research didn't initially uncover was how communications technology and the Internet would stimulate the transition speed."

In yesterday's work-process mind-set the current Steelcase executive floor might superficially be viewed as the abandonment of private offices for smaller open spaces. "But that's the wrong message and interpretation," says Hackett. "When you transition to 'we' environments, space allocations change. Instead of assigning only 20% to conference rooms, the new apportionment for teams rises to 80%."

He says the space reallocation and the work-at-home trend don't diminish the importance of offices. To the contrary, Hackett believes those trends make the "right" workspace even more important. And he believes it has an important bearing on how the working at home should be interpreted.

"The claim of a computer CEO that in a recent two-month period 40% of his workforce didn't 'badge' into the building reflects more than the ubiquity of networking capability." Hackett says the more relevant issue is where employees are working. Steelcase behavioral research suggests they're not all working at home in an "I" environment, but are seeking the psychosocial environment of "we" places--like Starbucks. Hackett's conclusion: "The CEO's observations are correct; he's just got the wrong kind of offices!" (Near Hackett's open office environment is a Starbucks-like meeting area where coffee, fruit, and juices are available.)

Helping to guide the living laboratory that Steelcase executives work in is Jim Keane, a senior vice president with dual responsibilities for corporate strategy and R&D. In conventional business practice that kind of integration is more often a goal as opposed to an assigned reality. Keane explains: "The corporate strategy person usually comes out of one specific kind of background specific to acquisitions and alliances, and research people typically come up out of a technical background. They tend to live in an environment of unreachable goals--the strategy person trying to connect with R&D and the research head attempting to integrate the function's direction with corporate strategy."

With Keane's combined assignment, the integration is a fait accompli and the organization avoids the trap of linear work processes that use one function to drive the other. "I think it is a mistake to say that the process should start with one or the other," he says. Keane's prior assignment at Steelcase was in corporate strategy. He says the only other person he has met with a similar professional responsibility is Xerox Corp.'s John Seely Brown, chief scientist and recently retired director of the Palo Alto Research Center. "He and I share stories about the need for more people to be able to think simultaneously about the two disciplines."

Keane's R&D and strategy responsibilities have a global reach for the \$2.7 billion company, but that doesn't mean the company believes it can develop a "world" product. "We don't think that there is one product that we can somehow force fit into every culture. But our research has identified some common issues. One common theme is the struggle over how to work more effectively. Another is the battle to have coherent connections between physical space and the organizational culture. A third is the need to strengthen the relationship of the work process with the office building itself. Our research has given us the understanding of what the interior furnishings and architecture should be, so doesn't that now give us a point of view regarding the building?"

In May Steelcase answered that in the affirmative by teaming to launch Workstage LLC, an organization structured to change the way companies buy, lease, and negotiate commercial real estate. The partner is real estate developer Gale & Wentworth LLC, Florham Park, N.J.

The building as a stage for work is the metaphor that led to the name, says Keane. "Today's office workspaces need to support business change just as theatrical stages must accommodate a succession of sets for new productions. With Workstage, business customers have a single source for an integrated solution of stage, set, and props. Our research began by studying how people should work and that led us to consider how to modify the space immediately around them to support their activities. Then we considered how to use architectural design of the building to best integrate all people-centered elements." Keane says Workstage is a success story of Steelcase being able to integrate R&D with business strategy. "R&D originated the idea, but the whole organization embraced the innovation process."

The business objectives for Workstage are to develop buildings twice as fast and 10% under the cost of conventional construction methods. Those benefits come from being able to integrate all the elements for a high-performance work environment, explains Jack Cottrell, CEO of Workstage.

"Until now obtaining a new office building meant bringing together two groups that wouldn't have a clue about the workspace needs of the interior," Cottrell observes. "The construction guys specialize in building costs and methods while the real estate guys are expert in putting a deal together. Our approach is to apply the Steelcase aspiration: to transform the ways people work ... to help them work more effectively than they ever thought they could."

R&D SECURES CORPORATE FUTURES

Manufacturers leverage innovation in different ways.

JUST AS THERE'S LITTLE DOUBT THAT TECHNOLOGY AND INNOVATION FUEL THE SUCCESS OF INDUSTRYWEEK'S Best-Managed Companies, it is evident that few leverage R&D in the same way.

For example, Dell Computer Corp., when compared with IBM Corp. or General Electric Co., has effectively outsourced many of its R&D activities by essentially being an assembler of components from its suppliers. In contrast, both IBM and GE continue to benefit from huge investments in a strategy based on corporate R&D facilities.

According to IBM's Nicholas M. Donofrio, senior vice president for technology: "The good that we do for our customers is because we understand information technology and the science and technology around it." IBM's R&D activities are the springboard for the company's multibillion-dollar initiatives in e-business, IT consulting, and microprocessor and storage technologies. In addition to launching new business, R&D also is used to evolve and protect core businesses--like continuing to make mainframes relevant.

But some successful companies consciously focus R&D on competing more vigorously internally rather than with competitors. Intel Inc. is an example of a firm that consciously supplants older innovations with new. Hewlett-Packard Co. is another. After all, if winners successfully compete with themselves, they remain winners.

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\$0.00 Estimated cost FileHomeBase
\$0.01 TELNET
\$0.01 Estimated cost this search
\$0.01 Estimated total session cost 0.168 DialUnits

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6660 CAVES

20475 COMMONS

S1 3 STEELCASE (S) CAVES (S) COMMONS

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1/3,K/1 (Item 1 from file: 15)

DIALOG(R)File 15:ABI/Inform(R)

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R&D serves dual purpose

Teresko, John

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